

BUDGET MATTERS

67 S-5.

Recommendation submitted by Chief Administrative Officer: Amend as necessary and adopt the 1997-98 Budget Policies and Priorities; instruct all Department Heads to adhere to the policies in developing their 1997-98 requests; also instruct the Chief Administrative Officer to reflect the policies and priorities in developing recommendations for the 1997-98 Proposed Budget; and schedule the following:

- 1) A budget workshop on the Sheriff's budget for February 27, 1997, to be held in Room 743 of the Kenneth Hahn Hall of Administration and request the Sheriff to prepare a presentation of his Department's operations and budget as set forth in the 1997-98 Budget Policies and Priorities; and
- 2) A budget workshop on the Department of Health Services' budget for March 6, 1997, at the same location, and instruct the Director of Health Services to prepare a presentation of his Department's operations and budget as set forth in the 1997-98 Budget Policies and Priorities.

THE BOARD TOOK THE FOLLOWING ACTIONS:

- A. **ADOPTED THE CHIEF ADMINISTRATIVE OFFICER'S RECOMMENDATIONS;**
- B. **APPROVED A JANUARY 29, 1997 WORKSHOP TO REVIEW THE LOS ANGELES COUNTY + UNIVERSITY OF SOUTHERN CALIFORNIA MEDICAL CENTER REPLACEMENT PROJECT.**

Absent: None

Vote: Unanimously carried



DAVID E. JANSSEN
CHIEF ADMINISTRATIVE OFFICER

**COUNTY OF LOS ANGELES
CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION/LOS ANGELES, CALIFORNIA 90012
(213) 974-1101

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AP 12/17/96

November 27, 1996

Executive Summary

**1997-98 BUDGET POLICIES AND PRIORITIES/BUDGET WORKSHOPS
(3-VOTES)**

Request

Amend as necessary and adopt the 1997-98 Budget Policies and Priorities as set forth in this letter, instruct all department heads to adhere to these policies in developing their 1997-98 requests, and instruct this office to reflect the policies and priorities in developing recommendations for the 1997-98 Proposed Budget.

Schedule: 1) a budget workshop on the Sheriff's budget for February 27, 1997, to be held in Room 743 of the Kenneth Hahn Hall of Administration, and request the Sheriff to prepare a presentation of his department's operations and budget as described in this letter; and 2) a budget workshop on the Department of Health Services' budget for March 6, 1997, at the same location, and instruct the Director of Health Services to prepare a presentation of his department's operations and budget as described in this letter.

Fiscal Impact

No direct fiscal impact.

Issues

Consistent with discussion at the October 24, 1996 Board Budget meeting, this office has developed proposed 1997-98 Budget Policies and Priorities for the Board's consideration, and is recommending two initial special budget workshops.

The Budget Policies and Priorities are based on budget guidelines presented to the Board in January 1995; they have been amended and augmented to reflect additional policies we believe are consistent with Board actions and direction. These policies and priorities will assist departments in preparing 1997-98 budget requests, provide direction to this office in developing the 1997-98 Proposed Budget and provide a context to help guide Board decision-making consistent with deliberations on the Final Budget.

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The initial workshops for the Departments of the Sheriff and Health Services will allow more focused discussion and examination of these large, complex, and high visibility operations. Additional workshops can be scheduled as desired by the Board.



COUNTY OF LOS ANGELES CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
CHIEF ADMINISTRATIVE OFFICER

November 27, 1996

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

1997-98 BUDGET POLICIES AND PRIORITIES/BUDGET WORKSHOPS (3-VOTES)

At the October 24, 1996 Budget meeting of your Board, I indicated that I would present proposed policies and priorities for the 1997-98 County budget for your consideration in December. Board adoption of such policies and priorities would provide guidance and direction to all departments in preparing their budget requests, and prove instrumental in shaping this office's recommendations as we prepare the Proposed Budget. I also advised your Board that we would be recommending workshops in another setting to allow more focused examination of some of the more high visibility and complicated budgets; the Sheriff and Department of Health Services (DHS) budgets were specifically mentioned.

Therefore, we are recommending that your Board consider, amend as necessary, and adopt the attached Budget Policies and Priorities for the 1997-98 County Budget, and that you schedule budget workshops for the Sheriff and DHS; additional workshops would be arranged for other departments as directed by your Board.

Budget Policies and Priorities

On January 19, 1995, at the first Budget Committee meeting of your Board, this office presented for Board consideration a list of budget guidelines and principles to be used in developing the 1995-96 forecast requirements and budget recommendations. These recommended policies were developed in a time of deep fiscal crisis for this County and were intended to help foster both greater fiscal prudence and longer-term strategic fiscal planning, and to build confidence in the County's fiscal restructuring and outlook among the financial community. While our fiscal situation has somewhat improved since that time, several known and prospective problems remain due to such factors as a continuing structural imbalance largely caused by the State take-away of local property taxes, recent passage of Proposition 218, and welfare reform.

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The County has made significant progress on many of the principles presented in 1995, while full achievement on others is pending. In either case, we believe these principles still represent sound, prudent fiscal principles which should continue to guide County budget planning even if our fiscal outlook has improved from two years ago. Therefore, these initial policies form the foundation for an expanded list which is included in the attached. The initial list has been slightly amended and augmented with additional budget policies which we believe are consistent with the general budget policy direction indicated by recent Board actions and discussions, and which respond to specific circumstances, needs, and factors identified since development of the initial policies. Amendments and new policies are indicated in ***bold italics***.

Further, our continuing fiscal challenges will undoubtedly mean that your Board will be faced with hard choices between competing priorities, all of which may be meritorious and valuable in and of themselves, but all of which cannot be satisfied in view of our limited resources. For this reason, we have also developed draft Board budget priorities to:

- Inform and involve the general public in the important task of prioritizing the critical public services provided by the County;
- Assist departments in their own program prioritization, and assist this department in preparing resulting recommendations for the Proposed Budget; and
- Provide a context to help guide your Board's decision-making as you weigh different program priorities consistent with your deliberations on the Final Budget.

The policies and priorities are intended for your consideration, discussion, and modification as necessary, prior to distribution to all County departments for use in developing 1997-98 budget requests. While these policy and priority statements have largely been crafted to form the basis of long-term, ongoing practices, and direction, they should be revisited for modification as necessary based on changing conditions.

Workshops

Also at the October 24th Board meeting, I indicated that I would be recommending that your Board hold budget workshops in an alternate setting to allow more focused examination and discussion of some of the larger, more complex, and high visibility budget

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units. These forums would not be geared toward decision-making with regard to these budgets, but would rather be aimed at fostering a greater and more fundamental understanding of the structure, nature, and specific issues relevant to these budgets, thereby establishing a sounder and more informed basis for subsequent input by the public and decision-making by your Board. By addressing these budgets from their most basic components and programs, such workshops would also meet some of the objectives of your Board's stated interest in introducing "zero-based" budgeting concepts into the County budget process.

While some flexibility should be allowed in formatting these presentations and discussions, we believe the following information should minimally be included:

- A description of each departmental program, including its justification, funding, constituency, and any associated mandates.
- A historical comparison (five- to 10-year time frame) of the budget for each program and the department as-a-whole, with emphasis on any substantial changes in operations and/or funding sources.
- Identification of key budget issues (e.g., challenges, opportunities, problems, solutions, alternatives) anticipated for 1997-98.
- A discussion of long-term, strategic efforts to address anticipated operational and funding issues over the next several years.

The Departments of the Sheriff and Health Services were mentioned at the October 24 meeting as the prospective subjects of the first two budget workshops. In view of the size and complexity of these budgets, and the significant public focus on such issues as 1) the health system restructuring consistent with the 1115 Medicaid Waiver and, 2) the opening of the Twin Towers Custody Facility and issues concerning the Sheriff's overall budget, we believe these departments would be appropriate candidates for initial focus.

Based on the experience at these initial workshops, we would work with Board offices to determine the need for any modification in the format and structure of the workshops and identify additional budget units as the subject for subsequent workshops as may be desired by your Board.

Honorable Board of Supervisors

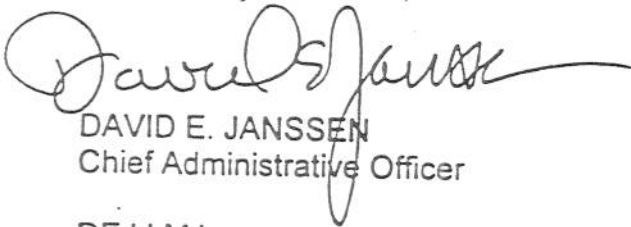
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THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

1. Amend as necessary and adopt the 1997-98 Budget Policies and Priorities as set forth in this letter, instruct all department heads to adhere to these policies in developing their 1997-98 requests, and instruct this office to reflect the policies and priorities in developing recommendations for the 1997-98 Proposed Budget.
2. Schedule a budget workshop on the Sheriff's budget for February 27, 1997, to be held in Room 743 of the Kenneth Hahn Hall of Administration, and request the Sheriff to prepare a presentation of his department's operations and budget as described in this letter.
3. Schedule a budget workshop on the Department of Health Services' budget for March 6, 1997, to be held in Room 743 of the Kenneth Hahn Hall of Administration, and instruct the Director of Health Services to prepare a presentation of his department's operations and budget as described in this letter.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:LMJ
MKZ:mmg23

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Sheriff
Director of Health Services

1997-98 BUDGET POLICIES AND PRIORITIES

Budget Policies

1. In developing recommendations which may require operational reductions, departments should ensure that administrative and non-service areas have been reduced to the maximum extent possible. In general, any service reduction which may be necessary should include commensurate reductions in administrative functions, such as management/supervisory, payroll, or other support staff. ***Reductions should include an overall review of management structure with the objective of reducing layers of management. Further, reductions should focus on positions most recently added and/ or programs most recently augmented.***
2. ***Focus reductions in programs which are discretionary or where the service level is discretionary.***
3. Ongoing costs should be funded with ongoing revenues. Aligning continuing expenditures with continuing revenues on a level which can be reasonably sustained will foster stability, predictability, and long-range planning, while avoiding volatility in service levels. Before expanding services, use new, ongoing revenues to meet current obligations and reduce reliance on one-time funding. ***New programs should not be proposed without identification of (a) specific and continuous funding source(s).***
4. The budget should be based on realistic revenue estimates. Future costs should only be budgeted if there is a high probability that the funds will be available to support them. Reliance on new revenues from anticipated growth or revenues contingent upon passage of legislation, unless reasonably assured, can place the budget at risk and raise false expectations.
5. ***Mandated programs should normally be implemented only at the level of funding provided by the State or federal government; continuing to provide supplemental local funding for un-funded or under-funded State/federal mandates allows other levels of government to escape responsibility for providing adequate funding for mandates they place on the County. Similarly, County overmatch for departments with maintenance of effort requirements should be reduced or eliminated.***
6. ***All new program funding requests should be accompanied by clear and concise statements of the program's mission, objectives, and measurable intended outcomes; managers will be evaluated, in part, on achievement of outcomes.***

7. ***Unless there is a clear compelling reason for a particular service to be provided by County employees, the choice of a service provider should be based on which entity can provide the service most effectively at lowest cost, whether it be the County, a non-profit organization, a private business, or another jurisdiction.***
8. ***The feasibility and legality of imposing fees or other charges should be evaluated for any service provided by the County where full cost recovery is not currently achieved, particularly services which benefit other jurisdictions.***
9. Moderate increases to the reserve for budgetary uncertainties should be accumulated over time until a two percent reserve level is achieved. A two percent contingency, which is generally considered the minimum requirement by the financial community, would provide for unforeseen emergencies while increasing the County's credit worthiness.
10. The County should phase in funding of unfunded liabilities. The County currently budgets a number of unfunded incurred liabilities, such as Workers' Compensation, on a pay-as-you-go basis, instead of funding reserves to cover future payments. Failure to address unfunded liabilities is a form of deficit spending, which if left unchecked, will eventually consume larger and larger portions of the annual budget. Accepted actuarial and accounting practices require that reserves be established so that future payouts of today's incurred costs do not impact future operating budgets.
11. The County should phase out Bond Anticipation Notes (BANs) issued for projects for which take-out loans are uncertain. In the future, BANs should not be used unless repayment can be guaranteed.

Budget Priorities

Economic pressures, changing demographics, federal and State mandates, and other factors continually place new demands on the County. The lack of adequate funding sources to meet all of these demands requires that the Board of Supervisors prioritize these demands and make difficult choices between competing needs while meeting their fundamental responsibility to provide public safety, health, social, recreational, cultural, and regulatory services to the residents of Los Angeles County.

County residents and voters have clearly expressed their strong desire to see local government dollars focused on making every effort to ensure their physical safety at home and in their communities. For this reason, we believe that sufficient funding for our public safety and justice system must be identified as the top priority. Closely related to public safety in maintaining a healthy, prosperous, and harmonious community is public health and welfare. Many of these programs are aimed at *preventing* conditions which could

result in substantial County costs if left unaddressed, including health care and law enforcement costs. The Board's commitment to maintain an adequate safety net for the most vulnerable of our residents through restructuring our health care system and avoiding draconian reductions in public assistance merits a very high priority for these services.

Next in priority would be a host of direct public services which the public expects, enjoys, and/or depends upon, including recreational, cultural, and consumer services. Some of these programs are regulatory in nature, including animal control and produce inspection, but provide clear and direct benefit to the public. Finally, while they may often be invisible to the public, the County is responsible for a host of central staff and support services, without which critical public services could not be readily provided.

The following identifies the overall proposed budget priorities for the 1997-98 County Budget. We have not specifically linked entire departments with each priority, while all of some departments' programs may fall largely within one priority. However, other departments contain a mix of programs, reflecting more than one of the following priorities. In this regard, this prioritization will assist departments in prioritizing their various programs as well as assist the Board in prioritizing between programs provided by all departments.

- Priority No. 1: Public Safety and Justice (includes all law enforcement, justice and public safety-related operations)
- Priority No. 2: Public Health and Welfare/Prevention (includes all health, welfare, and social service operations)
- Priority No. 3: Direct Public Services (includes all recreational, cultural, consumer protection, and many regulatory operations)
- Priority No. 4: Internal and Support Services (includes all central staff and support operations)



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 17, 2003

To: Audit Committee

From: David E. Janssen
Chief Administrative Officer

BUDGET POLICIES AND PRIORITIES

As requested, my staff has reviewed and revised the Budget Policies and Priorities which will sunset on December 17, 2003. Sections 5, 9, 10, and 11 have been updated to provide clarification and reflect changes in generally accepted practices in the financial community. The attached document reflects our recommended changes for your review and approval including a subsequent sunset date of December 17, 2008. However, for your convenience, we have identified our changes using strikeouts and bold type below:

Section 5

Mandated programs should normally be implemented at the level of funding provided by the State or federal government; continuing to provide supplemental local funding for unfunded or under-funded State/federal mandates allows other levels of government to escape responsibility for providing adequate funding for mandates they place on the County. ~~Similarly, County overmatches for departments with maintenance of effort requirements should be reduced or eliminated.~~ **Similarly, to the extent that public health and safety are not jeopardized, County overmatches should be reduced or eliminated.**

Section 9

~~Moderate increases to the Reserve for Budgetary Uncertainties should be accumulated over time, until a two percent reserve level is achieved. A two percent contingency, which is generally considered the minimum requirement by the financial community, would provide for unforeseen emergencies while increasing the County's credit worthiness. To the extent that it is feasible, moderate increases should be accumulated over time until a five percent reserve of locally generated revenue is~~